

*e-Commerce Market Overview:
Telecom and IT Trends Mexico 2004*

**International Market Insight
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According to Pyramid Research, e-commerce in Mexico is expected to reach approximately US \$10.5 billion by 2005, up from US \$1.4 billion in 2001, making it one of the leading countries in Latin America in terms of potential for future growth in this area.

Important inhibitors for further growth remain. The main issues affecting B2C e-commerce include low Internet penetration, a low level of consumer purchasing power, a low penetration of credit cards, an underdeveloped market for consumer credit, and IT education and awareness. Most signs indicate that B2B will continue to thrive as increasing resources are invested in the development of online supply chains by both the private sector and the Government of Mexico. This growth will also result from declines in B2C transactions that are likely to occur in both the short- and medium-term. However, as the Internet penetration rate continues to grow, so will B2C in the long-term.

Large companies and financial institutions are working to change their procurement processes to electronic means. An AT Kearney survey indicates that for this year, 27 percent of the IT investment in Mexico will be for e-business solutions, compared with 18 percent in 2002.

According to Mexico's banking association and Select, the number of registered e-banking clients rose from 700,000 in 2001 to 2.4 million in 2002. This number should reach 4.5 million by 2005. Banking operations increased from US \$96 million to US \$280 million over the same time period.

One the most promising developments related to Mexico's e-commerce future is the Government of Mexico's (GOM) commitment to making Mexico a digital economy. The development of the e-Mexico program is the most obvious manifestation of this commitment. E-Mexico's main goals are to develop Mexico's IT industry, foster an internal market for IT products, promote an adequate regulatory framework in the use of electronic media and e-commerce, and digitalize government services in order to create a model for the private sector. The e-Mexico initiative promotes the use of information technologies in education, health, commerce, and government.

In July 2002, the Mexican government created a trust fund to begin providing points of Internet access to over 2,000 rural communities. Leaders of e-Mexico claim that by 2025, 98 percent of Mexican citizens will be online. As of June 2003, the e-Mexico Project is clearly a reality. The majority of the 3,200 digital community centers have been constructed and a national satellite network to provide connectivity is already launched and in operation. These digital community centers have been installed in 2,429 municipalities and 16 delegations within the Federal District (Mexico City).

Another positive development in this area is the work that is being done on the e-commerce legal and regulatory framework. Both the government and the private sector have been committed to revamping laws that pertain to or affect e-commerce. In 2000, the GOM began this undertaking with the passage of the e-Commerce Law. As a consequence, electronic contracts are recognized legally, information transmitted online is accepted in judicial proceedings, and consumer protection laws apply to the online world.

Last year, the Mexican Government created a standard (Norma Oficial Mexicana - NOM-151-scfi-2002) on conservation of messages of data. Also, the Federal Law of Transparency and Access to Government Public Information came into effect in June 2003. This year the Digital Signature Law was also approved.

While e-commerce legislation is gradually evolving, a number of additional laws and regulations have been proposed to make Mexico's laws related to e-commerce "inter-operable" with other digital economies. Perhaps the most important is the e-invoice legislation, which will eliminate the requirement that businesses provide hard copies of invoices in electronic transactions.

Additional legislation related to consumer protection and data privacy are pending in the Mexican Congress. Many companies and financial institutions are concerned that the government's interest in passing laws related to data privacy could hinder the transformation of Mexico into a digital society. It is widely felt that B2B and B2C e-commerce in Mexico will be advanced only to the extent to which proponents of the free flow of information and a self-regulatory approach prevail on these issues. As of June 6, 2003, the Mexican Congress has now passed the flawed data privacy legislation, which would negatively impact Mexican, U.S., and other foreign business interests. This legislation is being monitored closely by the U.S. Government.

EXPO COMM MEXICO 2004

The U.S. Commercial Service, U.S. Embassy in Mexico encourages U.S. companies interested in market opportunities in Mexico to participate in the USA Pavilion and Product Literature Center at EXPO COMM MEXICO 2004, February 10 to 13. EXPO COMM MEXICO 2004, a U.S. Department of Commerce certified trade show and in its 13th year, is Mexico's leading telecom, IT, wireless, networking and Internet technologies exhibition and conference. For more information, contact Beth Harrington of E.J. Krause at harrington@ejkrause.com or 301-493-5500 x3312 or Angeles Avila of the U.S.

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TELECOM & IT TRENDS MEXICO 2004

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MEXICO: SECTORS OF OPPORTUNITY

This International Market Insight is also part of the series, *Mexico: Sectors of Opportunity*, which features market research reports detailing some of the most promising prospects for sales to Mexico, the United States' second largest trading partner.

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